

## Message Text

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DRAFTED BY: INT: HUBROWN

APPROVED BY: INT: SSCARPENTER

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FM SECSTATE WASHDC

TO HICOMTERPACIS

UNCLAS STATE 136334

DOTA NO. 219-TT

EO11652 NA

TAGS: AFIN, TQ

SUBJ: FY 1976 BUDGET

### I. GUIDANCE ON FY 1976 BUDGET

1. OUR VIEW IS THAT 13.7 PERCENT INCREASE IN GUAM CONSUMER PRICE INDEX NOVEMBER 1972 TO NOVEMBER 1973 CERTAIN TO OVERSTATE PRICE INFLATION OCCURRING DURING NEXT FISCAL YEAR. ADMINISTRATION EXPERTS PREDICT US INFLATION LEVELING OFF IN NEIGHBORHOOD OF 7 PERCENT BY END THIS YEAR; FUEL AND FOOD PRICE ESCALATION WILL HAVE ABATED. WHILE GUAM-TTPI INFLATION RATE MAY STILL BE HIGHER, WE DOUBT IT WILL APPROACH 13.7 PERCENT.

2. THEREFORE WE PLAN ADJUST \$80 MILLION APPROPRIATION CEILING TO \$85.6 MILLION IN CURRENT 1976 DOLLARS; \$36.75 FOR CIP AND \$58.85 FOR OPERATIONS. RISING COST GOVERNMENT OPERATIONS DUE TO BUILT-IN EFFECTS GOVERNMENT PAY SCALE IS NOT LEGITIMATE INDICATOR FOR ADJUSTMENT CONSTANT TO CURRENT DOLLARS. SUCH BUILT-IN COST WILL HAVE TO BE ABSORBED WITHIN \$58.85 MILLION OPERATING CEILINGS. IN COMING MONTHS WE WILL HAVE MORE DETAILED GUIDANCE ON HOW TO DEAL WITH PROBLEM OF ESTIMATING FUTURE INFLATION IN SUCCEEDING YEARS AND POSSIBLE ADJUSTMENTS LATER ON TO

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SUCH ESTIMATES.

3. IF ADDITIONAL EDLF FUNDS NEEDED IN 1976, WE SUGGEST  
\$1,070,000 AS MAXIMUM. WILL NEED DETAILED JUSTIFICATION  
FOR C.A.P. AND ENIWETAK REHABILITATION.

4. CAN NOT REPEAT NOT CONCUR YOUR PROPOSAL TO PLACE C.I.P.  
FUNDS IN INTEREST BEARING BANK ACCOUNTS. EXPECT PROGRAMMING  
TO INSURE THAT C.8.P. FUNDS ARE FOR URGETN PRIORITY NEEDS AND  
WITHIN ABSORPTIVE CAPACITY OF TT GOVERNMENT.

5. FED. COMPTROLLER GUAM/TTPI TO PREPARE DETAILED FY 1976  
JUSTIFICATION FOR TT AND GUAM SEPARATELY AND USE TT FORMAT.

6. PLEASE CONTACT CLAIMS COMMISSION AND ASK THEM FOR DETAILED  
76 JUSTIFICATION INCLUDING SHORT FY 74 AND 75 HISTORY OF  
CLAIMS ADJUDICATED AND PAID WITH SAME ANTICIPATED FOR FY 76.  
THIS WILL BE HELPFUL FOR OMB AND DOTA AT BUDGET HEARINGS.  
SIGNED STANLEY S CARPENTER.  
SISCO

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